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Testimony by Valerie C. Lorenz, Ph.D.
Subcommittee on Oversight and Investigations
House Committee on Financial Services
U.S. House of Representatives
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Honorable Members of the Committee:

I have specialized in the field of compulsive gambling for almost thirty years. During that time I have seen gambling expand from the casinos of Las Vegas to casinos on riverboats and on Indian reservations, and now on the Internet. I have seen state lotteries expand across the nation, from a fifty-cent Pick 3 and Pick 4 ticket, with a once a day drawing, to as much as 20 scratch-off tickets on any given day, to \$10 tickets, subscriptions, and keno, with advertisements featuring slots, horse races, and kiddie games. The casino industry for the past several years has taken a strong approach to developing a younger player market. We have indeed become a nation of gamblers, an industry that was promulgated by the casino industry and by governments.

One fact is clear and indisputable – no matter how much legalized gambling there is in this country, for the casino industry, “enough is never enough.” The same can be said for state governments, which have come to depend in large part on lottery revenues. Now these two giants want to go into the Internet business. Our own Congressional National Gambling Impact Study Commission clearly recommended “Put a moratorium on the expansion of gambling.” Wouldn’t it seem reasonable to listen to your own Congressional colleagues?

I have been asked to address four questions:

1. What impact has the Internet had on the problem of underage and pathological gambling? An interesting and important question. Let me respond: How much money has Congress allocated to such research – or to community education, treatment and prevention programs? It is difficult to answer your question with hard data; however, I

can tell you that in the 30 years that I have worked in this field, as legalized gambling of any form expanded, so did the number of gambling addicts. A Congressional study found in 1976 that less than one percent (.07%) of the adult population had gambling problems. And at that time, only Nevada had widespread gambling. Compulsive gambling among teenager, low income players, females and senior citizen gambler simply did not exist or if they did, did not step forward for treatment, because there wasn't any. Today, the estimates of compulsive gamblers ranges from 1.5% of the adult population to over 5%, depending on the amount of legal gambling in that state. Add to this, the even greater number of problem gamblers, those who abuse gambling and are on the verge of becoming addicted gamblers. The two groups of major increase – and concern – are our teenagers, and our senior citizens, both targets of the gaming industry.

What is the impact of compulsive gambling? Like alcoholism, gambling addiction, it will continue its spread into future generations. That is the nature of addictions. Compulsive gambling leads to financial ruin and severe indebtedness, with an increase in bankruptcies; broken families and lost homes; poor work productivity and terminations; health problems and addictions among the gamblers and their families; a frightening suicide rate; crimes which once were of a non-violent, financial nature, and which now have expanded to crimes of violence, including homicides.

We have a larger population of senior citizens than we have ever had before in our country. Usually on a monthly basis these seniors would take a bus to casinos or buy lottery tickets at their grocery stores. Now are we proposing that they stay at home and gamble over their TV or computers? They can lose everything they have ever worked for, and now they can lose it in their own living rooms, with no chance of financial recovery, or in many cases, survival. Isn't it responsible to rethink that proposal?

For the first time in our country we also have an entire generation growing up with government's message that it is OK to gamble, buy your lottery ticket and become a millionaire. This group of young people have been schooled on computers, many have their own laptops. Today they can log onto AOL, pull up Pogo, where of the half of the 40 choices are gambling games. Click on Poppit, a balloon game, or Sweet Tooth, trying to match three candies in a row, and every five minutes or so the player is given 30 or more seconds of casino advertisements. Ironically, Yahoo does not allow tobacco advertising, but what are the restrictions on gambling advertising? None. And just as the casinos entice their customers through freebies and comps, so do these Internet casinos – free gifts of \$15, or \$50, or \$100, to get the player interested – and hooked.. It is so easy to forget the time spent on a computer, or to not realize how much money has been charged to a credit card. Both are tools of Internet gambling.

According to the Internet Gaming Council, a trade association, it has tracked 1,400 Web sites that invite people to gamble. Legal Internet gambling would dramatically increase these numbers.

“In 1999, gaming analysts estimated the Internet gambling industry brought in almost \$1.2 billion. In 2001, that number shot to \$3.1 billion. By 2003, expert say it will reach \$6.3 billion” (Andi Atwater, the News Press, 7/8/2001).

Can you imagine what these figures will be with legalized Internet gambling? This is money that is gambled and lost by American citizens. When is enough, enough?

2. What technical and legal obstacles stand in the way of these issues? I would suggest that the lack of funds, the lack of legislation, and the lack of concern or social conscience stand in the way of addressing these problems of compulsive gambling and future gambling addicts. Add to that the influence of the gambling industry, the casino industry which seems to pride itself on the political influence it has bought, through campaign contributions, advertising and lobbying.

Regulation? There is no way to regulate gambling on the Internet on one's computer or television. How can that possibly be done? “It's just not feasible for law enforcement to monitor what people are doing in their living rooms with their computers,” said John Glogau, Special Counsel to Florida Attorney General Bob Butterworth. Does this country really want citizens who can gamble away their savings on Cybernet? The reality is, gambling on the Internet cannot be regulated. Consider existing conditions: No matter how many laws, policies, and procedures exist, teenagers can still get into casinos, get credit cards, and can gamble – just like they can get cigarettes and alcohol.

Can payments of wins be received if the Internet is legalized and if such name brand casinos like Caesar's and the Mirage control the market? Most likely. But on the other hand, how many players win? And how much do compulsive gamblers lose? And the little bit – or a lot of verbiage the Internet may put out concerning compulsive gambling, what good is that if there are no prevention or treatment programs?

3. What steps has the National Council on Problem Gambling taken, to date, to curb the abuses associated with Internet gambling? I don't know. I resigned from the National Council, in disgust, many years ago. I do know, however, that although it claims to take no stand, pro or con gambling, its President and members have publicly stated that they are not against increased gambling, as long as new gambling is accompanied with funds for compulsive gambling. Interesting. So is the fact that Paul Satre, CEO of Harrah's casinos, has been a Board member for many years.

I also know that for the past several years the casino industry has supported National Council conferences. A considerable segment of this year's National Council conference was related to casino industry issues. I know that Keith Whyte, its director, who formerly worked for the American Gaming Association (AGA), and who serves as Director of the National Council, received at least two years of salary from the AGA. It is my understanding that the National Council receives approximately 25% of its income from the casino industry.

4 What recommendations do you have for this Committee on steps Federal and State authorities should take to address Internet Gambling? First of all, as recommended by the National Gambling Impact Study Commission, put a moratorium on all expansion of legalized gambling, including Internet gambling. I would suggest a moratorium of at least ten years. Pass laws to make Internet gambling illegal, and enforce them. Make the fines large enough, and with imprisonment, so that illegal implementation of Internet gambling is not worth it.

Let state governments take a solid stance against expansion of gambling, particularly Internet gambling. A simple question should suffice: “Why should state governments encourage gambling that would compete with their own state lotteries?”

I further recommend that both state governments and Congress address all issues and public policy relative to legalized gambling and compulsive gambling. Recognize and support the escalation of gambling addicts, with its devastating impact, through funding, top level administrative support, just as it has done with Alcoholism and Drug Addic-tion. Fights compulsive gambling, don’t condone it or expand it. Protect the health and welfare of your citizens, that is what voters want from their elected officials. They did not vote for greed or poor health and a damaged community.

I thank you for permitting me to address you, and am prepared to respond to your questions.

Valerie C. Lorenz, Ph.D.